

## INFORMATION REPORT

DATE DISR. 21 Apr 1952  
25X1

NO. OF PAGES 6

NO. OF ENCLS. 1  
(LISTED BELOW) (A)

SUPPLEMENT TO  
REPORT NO. 25X1

DATE OF INFO

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THIS IS UNEVALUATED INFORMATION

1. Since the CSR has no gold reserve to pay for imports, she must export sufficient goods to enable her to import those industrial raw materials which she must have to meet production goals set by the USSR. Under pressure from the Soviets Czechoslovakia is to concentrate on production of heavy industrial items, destined not only to increase Czechoslovak war potential, but also to go to the USSR. Goods exported to Russia always sell well below established world marketing prices, while the capital goods which Czechoslovakia urgently needs are purchased at much higher rates, whether obtained from the USSR or from the West. These trade policies are draining the CSR of its resources and placing a tremendous strain on the national economy.
2. The Soviet-Satellite Council of Mutual Economic Aid (CEMA) was created as the Communist answer to the Marshall Plan. Chief Czechoslovak representatives were Dr Jaromir Dolansky, former head of the State Planning Board and now Deputy Premier, and Goldmann (fnu). One of the main provisions called for the streamlining of all industry in the Satellites; the CSR was to concentrate on heavy industry. Czechoslovakia's traditional light industries, ie, textile, electrical, optical, precision, were to be transferred to Poland and Hungary. The Czech representatives succeeded in postponing this move for a time, but were unable to stave off the vast expansion of heavy industry. The CSR's light industries were curtailed 20 to 30% from their immediate postwar capacity in order to conserve critical raw materials and necessary manpower for the defense industries. Some non-defense industries were shut down. An example of the dilatory operation of the Council was demonstrated after the last revaluation of the Polish zloty. After the revaluation of the zloty,

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the Poles refused to alter the customs and shipping charges on Czech goods leaving Polish ports on Polish ships. [redacted]

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[redacted] The Czechs brought this fact to the attention of the Council, but no action was taken, with the result that the Czechs stopped using Polish ships for a time. The situation was settled only after direct pressure was brought to bear on Poland by Moscow.

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3. Before World War II, about 80% of Czechoslovakia's foreign trade was with the West; now the percentage is down to about 40%. The action of the US in cancelling preferential treatment of the CSR under the provisions of the General Agreement on Trade and Traffic (GATT) resulted in higher tariffs on CSR exports to the US; consequently, Czechoslovakia was faced with the necessity of lowering prices on her exports or withdrawing from the market. (The Czechs protested the action of the US to the GATT organization in Geneva.) [redacted] the political situation has caused the Western countries to charge the satellites higher prices. Czechoslovakia no longer regards trade with the US as important since Czechoslovakia imports no strategic goods from the US. The US has simply succeeded in "squeezing" the CSR out of trading with the West, with the result that Czechoslovakia is forced to turn to the USSR for foreign trade at very unbalanced prices.

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4. In order to fulfill the USSR's plans for production of such things as steel, blast furnaces, foundries, etc, the CSR has been faced with the necessity of importing precision ball bearings, scrap metal, machine tools, raw textile products, and some chemicals, as well as other items. The Czechs were successful in obtaining some scrap metal [redacted] but this was in fairly small amounts and Western restrictions on shipments have reduced this to nil. Some sulphur was obtained [redacted] non-ferrous metals [redacted] cotton from the USSR [redacted] In general these goods were obtained in small quantities and were inadequate for Czech needs. Raw materials imported from the USSR are poor quality but are paid for at high prices. Soviet ore is so low in iron content that special blast furnaces have to be installed to process the ore, which adds to the expense. Soviet cotton [redacted] is also very poor, resulting in low quality finished products.

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5. In 1947, the CSR ordered machinery for a sheet metal rolling mill [redacted] Its capacity was to be approximately 200 thousand tons of sheet metal per year, and it was to be used to replace obsolete Czech machinery. Up to October 1951, however, the machinery had not been delivered because of the embargo. [redacted]

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8. In the past there has been a good deal of unfair trade practice in the form of underselling by the Czechs and Poles in the Satellite orbit. Poland was eager to undersell the CSR because of the former's unfavorable trade balances. For example, during 1951 the Poles were trying to undersell Czech sugar. The Czechs were proposing to sell their sugar [redacted] for \$220.00 per ton; the Poles were asking between \$207.00 and \$210.00 per ton from the same customers. [redacted]

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[redacted] The Poles were able to force down the price of Czech eggs by using the same methods [redacted] Hungary, as a rule, did not practice underselling, but was quite willing to pay premium prices for hard goods [redacted]

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9. Once a year, the State Planning Board (which ranks as a ministry and has been headed by Pucik since November 1951 when Dolansky was made a Deputy Premier) compiled a program for imports and exports based on requests from the various ministries and state enterprises. This didn't necessarily mean that requests would be filled. The State Planning Office of the State Planning Board tailored the requests to fit the over-all program. This program was secret and no one foreign trade company knew what another was importing or exporting, nor did they know which countries were trading with the CSR. The Ministry of Foreign Trade /see Enclosure A/ was charged with administering the provisions of the plan. Decisions regarding CSR exports were made on a high level; all decisions were made by at least one of the Vice Ministers. Decisions on exporting hard goods were made by the Minister of Foreign Trade himself. The appropriate territorial branch of the Ministry was charged with making decisions on imports. [redacted]

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winter of 1951. In approximately May 1951, however, the CSR tried desperately to export large quantities of sugar [redacted] because the sugar beet harvest had been very good and the Czechs found themselves without any other commodity in sizeable quantity [redacted]

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[redacted] The CSR actually succeeded in exporting approximately 11 thousand tons, valued at two to three million dollars. This lack of foresight on the part of the State Planning Office illustrates the serious economic damage caused by incompetent personnel in foreign trade. [redacted]

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10. [redacted] of all the ministries in the Czech Government, the Ministry of Foreign Trade was the most seriously affected by loss of competent personnel as a result of purges. The export and import of strategic goods [redacted]

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is of the utmost importance to the whole country; weak links in the foreign trade setup seriously affect the nation and ultimately its relations with the USSR as well as the entire USSR-Satellite economic structure. The Ministry of Foreign Trade lost about 150-180 qualified persons as a result of the purges in February 1951.

11. Absolute political reliability was the first and foremost requirement for service abroad with the Czech Ministry of Foreign Trade after February 1951. As a rule, only members of the workers' cadre were sent abroad, and these only on short tours of duty. The Ministry of Foreign Trade had comparatively few people abroad on a permanent basis, perhaps 30-40 in all, who served as commercial attaches. In China, the USSR, Poland, and East Germany, the Czechs maintained commercial missions headed by commercial attaches. In order to lessen the chances of defection, it was the policy of the Ministry of State Security not to issue passports to persons who had visited Western countries before on short-term assignments.

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12. Members of the Ministry of Foreign Trade include the following:

- (a) Dr. Antonin Gregor was appointed Minister of Foreign Trade after the Communist coup in February 1948. Gregor is the strong man of the Ministry and makes all major commercial policy decisions, at times against the recommendations of his Vice Ministers.
- (b) Hadek (fnu) is in charge of importing all critical items and is personally responsible to Gregor.

After the purge within the Ministry in February 1951, there were to have been five Vice Ministers. As of October 1951, however, only three had been appointed:

- (c) Soucek (fnu) as First Vice Minister is in charge of Czech foreign trade companies and the planning of Czechoslovak investments. Soucek came to the Ministry after the purge in February 1951 and succeeded Jonas (fnu), who became Minister of Light Industry. Soucek was formerly a Communist Party Secretary and member of Parliament from Hradec Kralove.
- (d) Dvorak (fnu) is Second Vice Minister and is in charge of trade with the USSR and Satellite countries. Dvorak is also a Parliament member
- (e) Rudolf Margolius is Third Vice Minister; he is in charge of trade with the "capitalist" countries, including West Germany.

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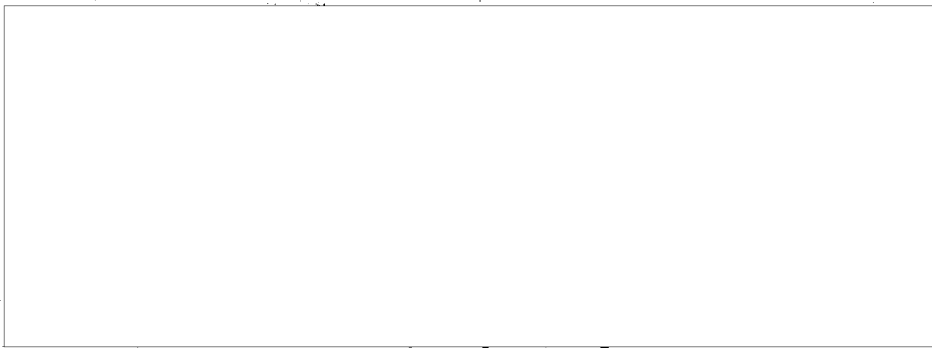
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During the war he was confined in various German concentration camps. Margolius was with the Central Association of Czechoslovak Industry in the Foreign Trade Department from 1945 to 1948.

In 1948 he joined the Ministry of Foreign Trade as Chief of the Praesidium. When the position of Vice Minister was established in 1949, Margolius became Vice Minister in charge of trade with the West. Margolius tried to take advantage of opportunities to trade with the West; he realized that in order to import from the West, Czechoslovakia had to be able to export her own products.

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- (f) Pommer (fnu) functioned as a quasi-Vice Minister; he was in charge of all imports to Czechoslovakia. [redacted] He was chairman of the CP organization within the Ministry and may still hold that position. [redacted]

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- (g) Pizarik (fnu), the other quasi-Vice Minister, was in charge of Czech exports. [redacted]

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- (h) Fierlinger (fnu), brother of Deputy Prime Minister Zdenek Fierlinger, was the head of the Soviet section under Second Vice Minister Dvorak.

- (i) Jelinek (fnu) was the head of the Western Section under Margolius. He came to the Ministry in February 1951 from the Central Trade Union. [redacted]

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- (j) Svec (fnu) served as Deputy to Jelinek. He was Commercial Attache in London as late as October 1950, and he enjoyed the confidence of Margolius.

- (k) Bohumil Stroff held the title of Deputy Chief of the German branch. Dr. Horejs, former chief of the branch, was dismissed in February 1951. Stroff [redacted] has been with the Ministry of Foreign Trade since before 1948. [redacted]

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[redacted] Stroff was the "main wheel" in Czech-German trade relations and, thanks to him, the effects of the February 1951 purge in his branch were not so disastrous as in some other parts of the Ministry.

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- (l) Pacak (fnu) was in charge of issuing import licenses in the German Branch.

- (m) Urban (fnu) is a member of the workers' cadre who worked in a factory. He was under Stroff [redacted]

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- (n) Kessnerova (fnu) was a typist in Stroff's branch. She was also a member of the workers' cadre.

- (o) Klima (fnu) was the last Czech Commercial Attache in Frankfurt. He worked under Stroff from January 1951 to July 1951. [redacted]

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The heads of the foreign trade companies, with few exceptions, were purged at the time of the purge in the Ministry of Foreign Trade in February 1951. Three of those who retained their positions were:

- (p) Konrad Pany was head of the Czechoslovak Chamber of Commerce. [redacted] Pany was not purged because he would have been a hard man to replace readily. The Chamber of Commerce was responsible for properly representing Czechoslovakia in all foreign exhibitions and fairs, ie, the Stockholm and Leipzig Fairs. (A special organization under Kohout (fnu) was in charge of staging the Prague Fair. Kohout was formerly a member of the Central Association of Czechoslovak Industry.)
- (q) Gregor (fnu), (no relation to the Minister), was head of Centrokomise.
- (r) Axler (fnu) was head of Metallimex, which handled the import and export of all metals.

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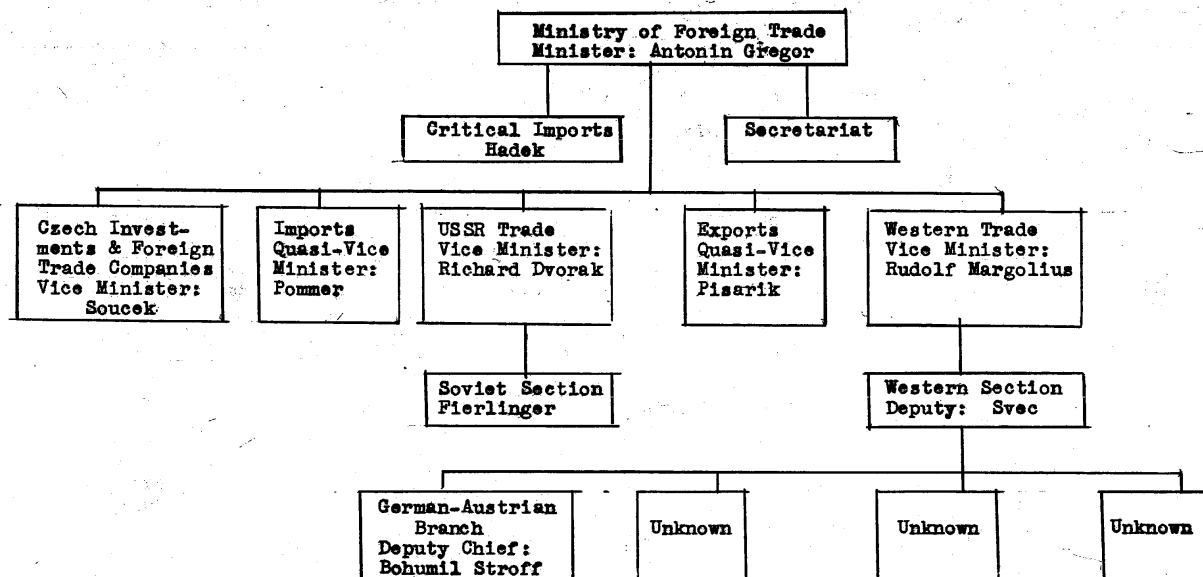
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ENCLOSURE (A): Organization of the Czech Ministry of Foreign Trade.

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Organization of the Czech Ministry of Foreign Trade



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